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DOMINION MAGNESIUM
L I M I T E D

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Annual Report

For The Financial Period Ended December 31, 1967



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Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

<i>OFFICERS</i>	H. J. FRASER - - - - -	President
	J. THOMSON - - - - -	Vice-President and General Manager
	H. B. CLEARIHUE - - - - -	Secretary-Treasurer
<i>DIRECTORS</i>	H. J. FRASER - - - - -	Toronto
	J. THOMSON - - - - -	Toronto
	G. T. N. WOODROOFFE - - - - -	Toronto
	C. P. KEELEY - - - - -	Toronto
	F. H. JOWSEY - - - - -	Toronto
	L. M. PIDGEON - - - - -	Toronto
	J. M. MORTIMER - - - - -	Toronto
	J. R. SMITH - - - - -	Toronto
<i>TRANSFER AGENT AND REGISTRAR</i>	Crown Trust Company, 302 Bay Street, Toronto, Ontario	
<i>AUDITORS</i>	Thorne, Gunn, Helliwell & Christenson, Toronto, Ontario	
<i>BANKERS</i>	Royal Bank of Canada, Toronto, Ontario Bank of Montreal, Renfrew, Ontario	
<i>GENERAL COUNSEL</i>	Fasken & Calvin Toronto-Dominion Centre, Toronto, Ontario	
<i>HEAD AND SALES OFFICE</i>	7 King St. E., Toronto 1	
<i>PLANT</i>	Haley, Ontario	
<i>ANNUAL MEETING</i>	April 3rd, 1968, 11:00 a.m. (Toronto Time) Conference Room - 20th Floor - 7 King St. E., Toronto	

Dominion Magnesium Limited

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company for 1967.

Annual sales of your Company's products amounted to \$7,746,311 for 1967 as compared with \$5,876,719 for 1966. The low sales and production figure for 1966 resulted from a three month strike at the Haley plant. The consolidated net income for the year was \$273,223, equivalent to 57 cents per share as compared to \$168,988 or 35 cents per share for 1966.

Shipments of the Company's main products were as follows:

	Year ended December 31	
	1967	1966
Magnesium	19,553,626 lbs.	15,110,870 lbs.
Calcium	543,598 lbs.	248,830 lbs.
Thorium	835 lbs.	1,275 lbs.
Titanium	18,059 lbs.	9,120 lbs.
Dolomite	22,485 tons	18,032 tons

Production of magnesium crowns amounted to 19,963,427 lbs. Three of the sixteen furnaces were shut down during the last six months of the year due to a lag in the market demand for magnesium. The Company also produced 8,081 lbs. of zirconium magnesium master alloy, 1,808 lbs. of barium and 53 lbs. of strontium. An increase in demand for magnesium alloy extrusions during 1967 resulted in the extrusion plant shipping 897,586 lbs. of extrusions as compared to 686,563 lbs. in 1966.

Capital expenditures for the year amounted to \$106,214. The main items were the installation of a vacuum cleaning system for the reduction furnace floor, a dump truck and mobile crane for the quarry and a prototype retort discharging machine.

Aerometals Limited sales for the year were \$381,425 a 36% decrease over last year's sales of \$610,728, and was mainly due to loss of the luggage frame orders from a major customer who is now fabricating its own requirements. Development of a new product, a magnesium bucket for handling ready-mix concrete with cranes on construction sites, shows promise of increasing sales.

Ferrosilicon costs at the Beauharnois Smelter, which is operated under lease by Chromium Mining & Smelting Corporation Limited, were higher than last year. A two year labour contract was signed with the Union in April after a two week strike.

Our research programme is continuing with respect to improved furnace design, metal condensation, product improvement, die casting alloys and process efficiency. We are investigating the use of our retort residue for use by the iron and steel foundries as a sand additive in certain applications. A prototype retort residue removal machine has been developed and is now undergoing testing.

The magnesium market demand declined during the second quarter of 1967, and showed a slight increase during the last half. This trend is expected to continue well into 1968. Although calcium sales were high in 1967 they did not reach anticipated figures. Calcium sales for the coming year are expected to be about the same as in 1967.

At the end of January, 1968 Mr. P. N. Pitcher resigned from the Board and Mr. J. R. Smith was elected a director to fill the vacancy.

The Board would like to pay tribute to our Plant Managers, Messrs. D. J. McPhail (Haley Plant), and W. Z. Jarmicki (Aerometals Plant), and to H. G. Warrington, Sales Manager, together with all the staff and employees for their efforts during the year.

On behalf of the Board,

H. J. FRASER,
President.

JOHN THOMSON,
Vice-President and General Manager.

Toronto, Canada,
March 6, 1968.

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Consolidated Balance S
 (with comparative figu

ASSETS

	1967	1966
CURRENT ASSETS		
Cash	\$ 720,871	\$ 154,450
Short term bank deposits and accrued interest	966,886	1,073,979
Accounts receivable	1,439,257	1,066,884
Inventories valued at the lower of cost and net realizable value	1,156,086	1,495,442
Prepaid expenses	26,843	34,273
	<hr/> 4,309,943	<hr/> 3,825,028
FIXED ASSETS, at cost		
Mining properties and land	90,858	88,769
Plant and equipment	9,677,068	9,580,501
	<hr/> 9,767,926	<hr/> 9,669,270
Less accumulated depreciation	7,117,663	6,826,641
	<hr/> 2,650,263	<hr/> 2,842,629
OTHER ASSETS AND DEFERRED CHARGES		
Special refundable tax	24,294	16,300
Deferred charges	43,979	47,256
	<hr/> 68,273	<hr/> 63,556
	<hr/> \$7,028,479	<hr/> \$6,731,213

AUDITORS

To the Shareholders of
 Dominion Magnesium Limited

We have examined the consolidated balance sheet of Dominion Magnesium Limited and the statements of income, earned surplus and source and application of funds for the year ended December 31, 1967, and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion these consolidated financial statements present fairly the financial position of the operations and the source and application of their funds for the year then ended in comparison with that of the preceding year.

Toronto, Canada
 February 20, 1968

esium Limited

(Under the laws of Ontario)

COMPANY COMPANIES

Year Ended — December 31, 1967

at December 31, 1966)

LIABILITIES

	1967	1966
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 586,940	\$ 626,268
Employees' savings and pension fund contributions payable	40,000	4,212
Income taxes payable	199,561	91,533
	826,501	722,013
DEFERRED INCOME TAXES	314,300	407,000
PROVISION FOR PLANT AND EQUIPMENT REPAIRS	253,134	253,511
CAPITAL STOCK AND SURPLUS		
Capital stock		
Authorized — 500,000 shares of no par value		
Issued — 476,270 shares	3,203,045	3,203,045
Earned surplus	2,431,499	2,145,644
	5,634,544	5,348,689

Approved on behalf of the Board:

H. J. FRASER, Director.

J. THOMSON, Director.

\$7,028,479 \$6,731,213

REPORT

ited and subsidiary companies as at December 31, 1967 and the consolidated financial statements for the year then ended. Our examination included a general review of the accounting procedures necessary in the circumstances.

Financial position of the companies as at December 31, 1967 and the results of their operations in accordance with generally accepted accounting principles applied on a basis consistent

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants.

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Sales	\$7,746,311	\$5,876,719
Cost of sales	6,687,770	4,986,939
	1,058,541	889,780
Rental revenue, Beauharnois plant	216,868	228,120
Profit from operations before the following deductions	1,275,409	1,117,900
 Deduct		
Selling, general and administrative expenses	278,086	239,729
Research	189,894	159,463
Depreciation	298,580	362,782
Expenses incurred at plant during strike		134,970
Patent expenses and amortization	7,685	16,452
Directors' fees	900	1,250
Contribution to employees' savings and pension fund	40,000	4,212
	815,145	918,858
	460,264	199,042
 Other Income		
Investment income	60,883	56,615
Royalty income	2,000	2,000
Sundry income		1,334
	62,883	59,949
Income before income taxes	523,147	258,991
Income taxes (note 1)	249,924	90,003
Net income for the year	\$ 273,223	\$ 168,988

Share 0.57 0.35

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Balance at beginning of year	\$2,145,644	\$2,095,724
Add		
Net income for the year	273,223	168,988
Reduction in deferred income taxes relating to provision for plant and equipment repairs (note 1)	131,700	
	2,550,567	2,264,712
Deduct dividend — 25¢ per share	119,068	119,068
Balance at end of year	<u>\$2,431,499</u>	<u>\$2,145,644</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Source of Funds		
Net income for the year	\$ 273,223	\$ 168,988
Charges not involving the outlay of cash		
Depreciation	298,580	362,782
Amortization of patents		10,735
Deferred income taxes	39,000	42,557
Decrease in provision for plant and equipment repairs	(377)	(58,252)
Funds from operations	610,426	526,810
Decrease in deferred charges	3,277	
	<u>613,703</u>	<u>526,810</u>
Application of Funds		
Dividend	119,068	119,068
Additions to fixed assets	106,214	168,678
Increase in deferred charges		749
Cost of acquiring patents		1,724
Special refundable tax	7,994	16,300
	<u>233,276</u>	<u>306,519</u>
Increase in working capital	380,427	220,291
Working capital at beginning of year	3,103,015	2,882,724
Working capital at end of year	<u>\$3,483,442</u>	<u>\$3,103,015</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

1. DEFERRED INCOME TAXES

As a result of claiming depreciation allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$39,000 (1966 \$42,557) and accordingly this amount is included in the balance sheet under the item "Deferred income taxes."

A reduction in deferred income taxes of \$131,700 has been made relating to provision for plant and equipment repairs charged to income in prior years in excess of deductions claimed for tax purposes.

2. STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$97,840.

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys

Ingots, Billets Extrusions

Calcium Metal in all grades

and forms.
calcium Alloy

— SUBSIDIARY COMPANY —

Aerometals Limited **Magnesium Designers and Fabricators**
Ferrosilicon Plant

Head Office
7 King St. E.
Toronto 1, Ontario

Plant Office
195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods
Concrete Buckets

Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers
Luggage Frames

